



## A Guide for Ordering Commercial Appraisals

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## Introduction

Commercial orders are put out to bid to appraiser for their fee and turn time. The appraiser's bid is determined in large part by the scope of work which includes the property attributes – type and complexity.

To ensure that bids are accurate (in both fee and turn time) a required amount of information must be provided to appraisers at the time the order is put out to bid.

Outlined on the following pages are various types of commercial properties. Please use this as a guide to assist you in determining what information is needed pre- and post-bid.

***Pre-bid*** information should be provided at the time and order is being placed.

***Post-bid*** information can be gathered after the bid has been awarded, but the appraiser will likely need these items to complete the appraisal report.

## Bowling Alleys

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Current use
- Proposed use (if different than current use)
- Owner or tenant occupied?
- Does the equipment/FF&E need to be valued?
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- 2-3 years of income and expense history
- List of FF&E and purchase date for each item
- Pertinent leasing information, if applicable

## Car Wash

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Hand wash service, automated tunnel, or self-service bays, or combination?
- Is the business currently operating?
- Most car wash appraisals (unless strictly self-service) will require the Going Concern value, which will include the components of Real Property, FF&E, and Business Value.
- How many self-service bays and/or automated tunnels?
- Current use
- Proposed use
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- 2-3 years of income and expense history
- List of FF&E and purchase date for each item

## Gas Stations / C-Stores

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Tenant or owner occupied
- Is the business currently operating?
- Most C-Store appraisals will require the Going Concern value, which will include the components of Real Property, FF&E, and Business Value.
- How many fueling stations?
- Current use
- Proposed use
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Amenities, if applicable (pool, fitness, business space)
- 2-3 years of income and expense history
- Pertinent leasing information applicable to restaurant, etc.
- List of FF&E and purchase date for each item
- Flagship agreements, if applicable

## Hotels

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Number of rooms
- Are there restaurants, conference rooms, banquet rooms on site?
- STR report (aka Star report). Please ask client if it is available. If not, some appraiser will include in the overall bid, while others will break it out separately.
- Most hotel appraisals will require the Going Concern value, which will include the components of Real Property, FF&E, and Business Value.
- Current use
- Proposed use
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Amenities, if applicable (pool, fitness, business space)
- 2-3 years of income and expense history
- Pertinent leasing information applicable to restaurant, bar, etc.
- List of FF&E and purchase date for each item
- Flagship agreements, if applicable

## Land Appraisals

Land appraisal can be one of the most difficult orders to place. Please keep the following in mind when placing commercial orders for land:

Questions to ask:

- Is the land currently vacant?
- What is the current zoning?
- What is the site size?
- What is the current use?
- What is the proposed use?
- Is the land already platted and recorded for subdivision (residential or commercial)? If so, how many lots? Will there be common areas? Is there excess land?

Depending on the answers you receive to these questions, other information that may need to be provided Pre and/or Post-Bid:

- Survey
- Specific lot numbers to be included
- If agricultural, description of current operations: crops, livestock, timber, etc.
- If timber land, does the timber need to be valued? If so, does a recent timber cruise exist or will a timber cruise need to be included as a part of the assignment? If so, what percentage of the timber will need to be included in the cruise? Less than 10% is typical. *(We maintain a list of timber appraisers on the Dart specialty panel.)*



## Mixed-Use Properties

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Number of units
- Overall square footage
- Current uses (office, retail, multi-family, warehouse, etc.)
- Proposed use (office, retail, multi-family, warehouse, etc.)
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Rent roll, if applicable
- Amenities, if applicable
- 2-3 years of income and expense history
- Pertinent leasing information

## Multi-Family

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Number of living units
- Overall square footage
- Current use (apartments, student housing, etc.)
- Proposed use (apartments, student housing, etc.)
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Rent roll, if applicable
- Amenities, if applicable
- 2-3 years of income and expense history
- Pertinent leasing information

## Office

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Number of units
- Overall square footage
- Current use (owner occupied, single tenant, multi tenant, executive suites, etc.)
- Proposed use (owner occupied, single tenant, multi tenant, executive suites, etc.)
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Rent roll, if applicable
- Amenities, if applicable
- 2-3 years of income and expense history
- Pertinent leasing information

## Restaurants

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Overall square footage
- Is there equipment/FF&E and will a separate value be needed?
- Current use (owner occupied, single tenant, multi tenant, credit tenant, fast food, quick service, full service, etc.)
- Proposed use (owner occupied, single tenant, multi tenant, credit tenant, fast food, quick service, full service, etc.)
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Flagship agreements, if applicable
- 2-3 years of income and expense history
- Pertinent leasing information

## Retail

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Number of units
- Overall square footage
- Current use (owner occupied, single tenant, multi tenant, credit tenant, big box retailer, etc.)
- Proposed use (owner occupied, single tenant, multi tenant, credit tenant, big box retailer, etc.)
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Rent roll, if applicable
- Amenities, if applicable
- 2-3 years of income and expense history
- Pertinent leasing information

## Self Storage Facilities

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Number of units
- Are any unit's climate controlled? How many?
- Is there any additional yard/boat/RV storage? How much?
- Is there equipment/FF&E and will a separate value be needed?
- Current use (self-storage, yard storage, etc.)
- Proposed use (self-storage, yard storage, etc.)
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Rent roll, if applicable
- Property breakdown of units by size and type
- 2-3 years of income and expense history

## Warehouse & Industrial Properties

### Required Pre-Bid Information:

- Site size
- Legal description or Parcel ID
- Number of units
- Overall square footage
- Is there equipment/FF&E and will a separate value be needed?
- Current use (owner occupied, single tenant, multi tenant, distribution, manufacturing, flex, etc.)
- Proposed use (owner occupied, single tenant, multi tenant, distribution, manufacturing, flex, etc.)
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)

### Post-Bid Information:

- Rent roll, if applicable
- Amenities, if applicable
- 2-3 years of income and expense history
- Pertinent leasing information

## Wineries & Vineyards

### Required Pre-Bid Information:

- Site Size
- Parcel ID
- # of Buildings and approximate size and use of each
- Is the wine made on-site or are the grapes sold off, or a combination of both?
- Owner or tenant occupied, or both?
- Is there equipment/FF&E to be valued?
- Values Needed (market value as is, prospective value upon completion, prospective value upon stabilization, or a combination of the three)
- Generally, a going concern/business value should be requested for this property type

### Post-Bid Information:

- 2-3 years of income and expense history
- Pertinent leasing information, if applicable
- List of FF&E and purchase date for each item



## Special Considerations (could apply to multiple types of commercial properties)

- Will a prospective value upon completion be needed if the property is proposed construction (i.e. does not exist today)? Will a prospective value upon stabilization be needed if the property is not fully occupied now?
- If there are 5 or more properties in one order AND within a single development, such as raw land, developed lots, attached or detached single-family homes, and/or condominiums, please be aware that in addition to market value, a bulk value must be reported. (*Interagency Appraisal and Evaluation Guidelines, 2010*)
- Conversely, non-contiguous properties **not** within a single development, including land, can be included within a single appraisal report at the client's request. This situation would **not** require a bulk value analysis.

**Notes:**

# Glossary

## Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically though scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal's effective date. (2010 Interagency)

### Base (Shell) Building

The existing shell condition of a building prior to the installation of tenant improvements. This condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

The areas of the building that provide services to building tenants but which are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control

rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building

common areas are; floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A statement issued by a local government verifying that a newly constructed building is in compliance with all codes and may be occupied.

### Common Area (Public) Factor

In a lease, the common area (public) factor is the multiplier to a tenant's useable space that accounts for the tenant's proportionate share of the common area (restrooms, elevator lobby, mechanical rooms, etc.). The public factor is usually expressed as a percentage and ranges from a low of 5% for a full tenant to as high as 15% or more for a multi-tenant floor. Subtracting one (1) from the quotient of the rentable area divided by the useable area yields the load (public) factor. At times confused with the "loss factor" which is the total rentable area of the full floor less the useable area divided by the rentable area. (BOMA)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of

the buildings. CAM can refer to all operating expenses.

CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee. (Dictionary)

#### Condominium

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas.

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

#### Conservation Easement

An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature to continue, subject to the easement. In some locations, a conservation easement may be referred to as a conservation restriction. (Dictionary)

#### Contributory Value

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

#### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

#### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

#### Depreciation

1) In appraising, the loss in a property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method. (Dictionary)

#### Disposition Value

The most probable price that a specified interest in real property is likely to bring under the following conditions:

- Consummation of a sale within a exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

#### Easement

The right to use another's land for a stated purpose. (Dictionary)

#### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

#### Effective Date

1) The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

#### Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above-

or below-market tenant improvements (TI's). (Dictionary)

#### [EPDM](#)

Ethylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

#### [Escalation Clause](#)

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called an expense recovery clause or stop clause. (Dictionary)

#### [Estoppel Certificate](#)

A statement of material factors or conditions of which another person can rely because it cannot be denied at a later date. In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

#### [Excess Land](#)

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

#### [Expense Stop](#)

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (Dictionary)

#### [Exposure Time](#)

1) The time a property remains on the market. 2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary)

#### [Extraordinary Assumption](#)

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about

conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

#### [Fair Market Value](#)

The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property the sale price in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. (IRS)

#### [Fee Simple Estate](#)

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

#### [Floor Common Area](#)

Areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

#### [Full Service \(Gross\) Lease](#)

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. (Dictionary)

#### [Going Concern Value](#)

- The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern.
- The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

#### [Gross Building Area](#)

The total constructed area of a building. It is generally not used for leasing purposes (BOMA)

#### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50% or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of the same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

#### Gross Up Method

A method of calculating variable operating expense in income-producing properties when less than 100% occupancy is assumed. The gross up method approximates the actual expense of providing services to the rentable area of a building given a specified rate of occupancy. (Dictionary)

#### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

#### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

#### HVAC

Heating, ventilation, air conditioning. A general term encompassing any system designed to heat and cool a building in its entirety.

#### Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximally profitability. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary)

#### Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions

assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

#### Industrial Gross Lease

A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

#### Insurable Value

A type of value for insurance purposes. (Dictionary)

(Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

#### Investment Value

The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

#### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken. (Dictionary)

#### Fee Simple Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

#### Leasehold Interest

The tenant's possessory interest created by a lease. (Dictionary)

#### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

#### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

#### Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

- Consummation of a sale within a short period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

#### Loan to Value Ratio (LTV)

The amount of money borrowed in relation to the total market value of a property. Expressed as a percentage of the loan amount divided by the property value. (Dictionary)

#### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

#### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TI's). (Dictionary)

#### Market Value

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (FIRREA)

#### Market Value As If Complete

Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

#### Market Value As If Stabilized

Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

#### Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed

to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time). (Dictionary)

#### Master Lease

A lease in which the fee owners leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

#### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

#### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

#### Partial Interest

Divided or undivided rights in real estate that represent less than the whole (a fractional interest). (Dictionary)

#### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

#### Prospective Future Value Upon Completion

Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its

projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

#### Prospective Future Value Upon Stabilization

Market value "upon stabilization" is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.

#### Prospective Market Value "As Completed" and "As Stabilized"

For properties that are to be constructed or rehabilitated, the Prospective Market Value "As Completed" and/or the Prospective Market Value "As Stabilized" may be required. The 2010 Interagency Appraisal and Evaluation Guidelines defines these terms as follows:

"A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction, and occupancy will occur. The prospective market value "as completed" reflects the property's market value as of the time that development is expected to be completed. The prospective market value "as stabilized" reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (See USPAP Statement 4 and Advisory Opinion 17.)".

#### Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary)



#### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

#### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

#### Sandwich Leasehold Estate

The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

#### Sublease

An agreement in which the lessee (i.e., the tenant) leases part or all of the property to another party and thereby becomes a lessor. (Dictionary)

#### Substantial Completion

Generally used in reference to the construction of tenant improvements (TI's). The tenant's premises are typically deemed to be substantially completed when all of the TI's for the premises have been completed in accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

#### Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

#### Triple Net (Net Net Net) Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net leases, or fully net lease. (Dictionary)

(The market definition of a triple net leases varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

#### Usable Area

The measured area of an office area, store area or building common area on a floor. The total of all the usable areas on a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

#### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)